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**AN ANALYSIS OF
ADVERTISING EXPENDITURES
BY CORPORATIONS MARKETING
FOOD AND KINDRED PRODUCTS,
1950-64**

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**MARKETING ECONOMICS DIVISION
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AN ANALYSIS OF ADVERTISING EXPENDITURES BY CORPORATIONS
MARKETING FOOD AND KINDRED PRODUCTS, 1950-1964 ^{1/}

Total expenditures for advertising by manufacturers, wholesalers, and retailers of food products moved continually upward during 1950-1964 (table 10). However, the distribution of expenditures between the three levels of marketing fluctuated greatly. In terms of dollars, each marketing level increased its advertising expenditures; however, as a percentage of total advertising dollars, expenditures increased for retailing corporations but decreased for manufacturing and wholesaling.

Manufacturing corporations increased expenditures for advertising from \$435 million in 1950 to about \$1,390 million in 1964. However, the percentage of the total advertising expenditure made by this industry decreased from 78 percent in 1950 to 64 percent in 1964 (table 10).

Wholesaling corporations increased their advertising expenditures from \$65 million in 1950 to about \$109 million in 1964. This increase of \$44 million was relatively small compared with the increase of \$1,612 million in total expenditures and resulted in a decrease in their percentage of the total from 12 percent in 1951 and 1952 to 5 percent in 1962-64.

In contrast, retail corporations' expenditures for advertising increased from 11 percent in 1950 to 31 percent in 1964. As expenditures for food advertising increased, the number of corporations mainly engaged in retailing food products increased from 5,449 in 1950 to 18,264 in 1962. ^{2/} Average expenditures per food retailing firms rose to approximately \$25,500 in 1962 from \$11,000 in 1950.

Vertical cooperative advertising agreements between the manufacturer and the

retailer, whereby the manufacturer agrees to reimburse the retailer for part or all of the expenses of advertising a product, may have been a factor in the upward trend in advertising in the retail food trade. A recent, unpublished study by the Federal Trade Commission showed that 30 of the 56 largest corporations reporting in the canning industry reported a substantial part of their advertising expenditures being used for cooperative advertising.

The FTC survey also indicated that these larger firms used a smaller percentage of their sales dollar for advertising than did the industry as a whole. Smaller firms apparently spend more for advertising in an attempt to sell their products in competition with the larger firms which advertise on a national basis.

Advertising expenditures in most individual food manufacturing industries have more than doubled since 1950 (table 11). Leading the rise have been the dairy, canning, and grain mill products industries. Increases of other industries have been somewhat smaller.

Each food manufacturing industry increased advertising expenditures as a percentage of sales from 1950 to 1962 (table 11). Some industries such as meat, dairy products, and bakery products, showed comparatively small increases; whereas grain mill products, confectionery products, sugar products, and other food and kindred products showed large increases in advertising. Increased advertising for some industries may have resulted mainly from introduction of new products on the market that had to be advertised to become competitive with the proven goods already in use.

^{1/} Prepared by Fred L. Henson, economist, Marketing Economics Division, Economic Research Service, USDA.

^{2/} Internal Revenue Service.

Table 10.--Advertising expenditures by corporations marketing food and kindred products, 1950-64

Year	Type of firm				Percentage of total advertising expenditures			
	Manu- facturing	Whole- saling	Retail- ing	Total	Manu- fac- turing	Whole- saling	Retail- ing	Total
	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Pct.</u>	<u>Pct.</u>	<u>Pct.</u>	<u>Pct.</u>
1950	435.1	64.8	60.2	560.1	78	11	11	100
1951	470.1	70.3	69.1	609.5	77	12	11	100
1952 <u>1</u> / .:	519.0	77.6	76.3	672.9	77	12	11	100
1953	558.4	78.5	91.7	728.6	77	11	12	100
1954	610.9	78.8	106.4	796.1	77	10	13	100
1955	688.3	75.3	135.7	899.3	77	8	15	100
1956	724.0	84.8	167.4	976.2	74	9	17	100
1957	758.9	95.4	183.4	1,037.7	73	9	18	100
1958	782.6	95.4	184.6	1,062.6	74	9	17	100
1959	917.5	88.9	194.7	1,201.1	76	8	16	100
1960	1,011.6	82.4	303.8	1,397.8	72	6	22	100
1961	1,025.5	87.4	374.7	1,487.6	69	6	25	100
1962	1,116.7	87.8	466.6	1,671.1	67	5	28	100
1963 <u>2</u> / .:	1,227.4	94.4	566.5	1,888.3	65	5	30	100
1964 <u>2</u> / .:	1,389.8	108.6	673.2	2,171.6	64	5	31	100

1/ Data for 1952 are estimated.

2/ Figures for 1963 and 1964 are preliminary estimates.

Compiled from Source Book, Internal Revenue Service.

Table 11.--Advertising expenditures by corporations manufacturing food and kindred products: Total and as percentage of sales, 1950-62 ^{1/}

Year	Advertising by industry group								
	Meat products	Dairy products	Grain mill products ^{2/}	Canning : fruits, vegetables, and seafoods	Bakery products	Sugar	Confectionery	Other food and kindred products	Food and kindred products ^{3/}
	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.
1950 ...	51.5	54.3	75.6	57.1	56.9	2.5	34.2	60.8	69.2
1951 ...	49.9	65.3	80.3	64.7	62.8	2.9	38.8	68.8	63.6
^{4/}									
1953 ...	61.5	70.9	94.7	80.5	72.8	3.0	39.6	91.1	83.7
1954 ...	72.7	80.3	102.1	91.3	75.4	2.9	42.5	101.6	88.0
1955 ...	75.3	87.0	116.9	106.9	92.2	3.5	46.7	112.2	102.6
1956 ...	86.5	91.5	109.5	110.9	101.0	3.9	48.3	121.4	104.8
1957 ...	88.5	78.1	106.1	112.4	111.1	4.2	54.2	138.2	115.1
1958 ...	72.1	124.3	137.3	128.9	111.4	5.1	60.7	82.4	119.9
1959 ...	80.3	135.7	172.8	145.4	121.3	5.0	67.8	98.3	128.9
1960 ...	88.2	140.7	191.3	147.2	117.8	7.5	73.3	111.8	133.8
1961 ...	89.1	149.9	205.2	129.6	128.7	5.2	75.9	114.4	127.5
1962 ...	98.0	152.9	245.6	142.1	129.6	5.0	74.6	124.9	131.5
Advertising expenditures as percentage of sales									
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
1950 ...	0.4	1.5	1.7	1.8	2.1	0.2	2.6	3.0	5.8
1951 ...	.4	1.6	1.6	2.1	2.2	.2	2.8	2.9	5.3
^{4/}									
1953 ...	.5	1.7	1.9	2.4	2.3	.2	2.8	3.5	6.1
1954 ...	.5	2.0	2.0	2.7	2.3	.2	2.9	3.5	6.2
1955 ...	.6	2.0	2.3	2.7	2.5	.2	3.1	3.7	6.2
1956 ...	.6	2.1	2.1	2.7	2.8	.3	3.3	3.7	6.3
1957 ...	.6	1.9	2.0	2.7	2.8	.3	3.5	4.1	6.8
1958 ...	.5	1.4	2.2	2.7	2.7	.3	3.7	4.2	6.9
1959 ...	.5	1.5	2.6	2.7	3.0	.3	4.1	4.8	7.4
1960 ...	.6	1.4	2.8	2.7	2.6	.4	4.1	5.3	8.3
1961 ...	.5	1.6	2.9	2.5	2.7	.3	4.2	5.1	8.0
1962 ...	.6	1.6	3.2	2.7	2.5	.3	4.2	4.9	8.0

^{1/} Based on data from the Internal Revenue Service Source Book. Data for 1958 and later years reflect important changes in classification. Dairy corporations previously classified in Retail or Wholesale Trade Not Allocable were transferred into the proper manufacturing classification, if they had even a small degree of processing in their operations. Thus, 2,277 dairy companies were transferred from trade to dairy manufacturing in 1958. Within the manufacturing industry group, classification changes affected to a lesser magnitude the baking, cereal preparations, and grain mill products industries.

^{2/} Excludes animal feed.

^{3/} Not allocable.

^{4/} Data for 1952 are not available.

